

SALT LAKE
COMMUNITY ACTION PROGRAM
FINANCIAL STATEMENTS
JUNE 30, 2005

SALT LAKE COMMUNITY ACTION PROGRAM

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► Lake, Hill & Myers

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

August 31, 2005

To the Board of Directors and Management of
Salt Lake Community Action Program

We have audited the accompanying statement of financial position of Salt Lake Community Action Program (a nonprofit organization) as of June 30, 2005 and the related statement of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salt Lake Community Action Program as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2005 on our consideration of Salt Lake Community Action Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lake, Hill & Myers

SALT LAKE COMMUNITY ACTION PROGRAM

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2005

ASSETS

Current assets:

Cash	\$ 500,317
Restricted cash	483,338
Grants and contracts receivable	1,416,059
Other receivables	9,344
Deposits and prepaid expenses	135,017
Weatherization supplies	<u>68,899</u>

Total current assets 2,612,974

Property and equipment, net	3,638,524
Construction in progress	<u>1,060,798</u>

\$7,312,296

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 133,252
Construction payables	205,462
Accrued expenses	1,046,925
Construction loan payable	501,205
Current portion of mortgages payable	<u>30,789</u>

Total current liabilities 1,917,633

Long-term liabilities:

Accrued termination benefits	840,986
Mortgages payable, less current portion	<u>1,427,140</u>

Total long-term liabilities 2,268,126

Net assets:

Unrestricted	594,838
Temporarily restricted	<u>2,531,699</u>

Total net assets 3,126,537

\$7,312,296

See notes to financial statements.

SALT LAKE COMMUNITY ACTION PROGRAM
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Government grants	\$ -	\$ 15,629,776	\$15,629,776
Public support	-	354,322	354,322
Program income	279,896	-	279,896
Interest income	-	14,858	14,858
Gain on sale of assets	-	185,668	185,668
Other income	79,972	14,000	93,972
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>16,428,957</u>	<u>(16,428,957)</u>	<u>-</u>
Total revenue	<u>16,788,825</u>	<u>(230,333)</u>	<u>16,558,492</u>
Expenses:			
Head Start	10,775,387	-	10,775,387
Weatherization	1,735,834	-	1,735,834
Community Service	<u>2,908,002</u>	<u>-</u>	<u>2,908,002</u>
Total program services	<u>15,419,223</u>	<u>-</u>	<u>15,419,223</u>
Management and general	824,408	-	824,408
Fundraising	<u>86,010</u>	<u>-</u>	<u>86,010</u>
Total supporting services	<u>910,418</u>	<u>-</u>	<u>910,418</u>
Total expenses	<u>16,329,641</u>	<u>-</u>	<u>16,329,641</u>
Change in net assets	459,184	(230,333)	228,851
Net assets, June 30, 2004	<u>135,654</u>	<u>2,762,032</u>	<u>2,897,686</u>
Net assets, June 30, 2005	<u>\$ 594,838</u>	<u>\$ 2,531,699</u>	<u>\$ 3,126,537</u>

See notes to financial statements.

SALT LAKE COMMUNITY ACTION PROGRAM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	Program Services Expenses			Supporting Services Expenses			Total expenses
	Head Start	Weatherization	Community service	Management and general	Fundraising	Total	
Personnel	\$ 6,817,111	\$ 605,663	\$ 1,325,989	\$ 496,354	\$ 58,675	\$ 555,029	\$ 9,303,792
Fringe benefits	1,985,900	281,826	296,523	105,535	15,281	120,816	2,685,065
Consultants	12,422	103	50,416	97,383	-	97,383	160,324
Travel	95,322	29,625	30,803	12,186	-	12,186	167,936
Vehicle	10,561	22,722	-	-	-	-	33,283
Space	520,534	30,233	188,143	53,089	5,888	58,977	797,887
Copy and printing	74,795	9,064	15,483	12,477	810	13,287	112,629
Supplies and equipment	245,272	651,389	29,015	10,621	2,735	13,356	939,032
Telephone	80,631	7,874	31,783	7,065	926	7,991	128,279
Postage	7,436	1,782	4,234	5,762	213	5,975	19,427
Direct client assistance	362,880	20	638,351	-	-	-	1,001,251
Insurance	83,735	30,432	30,054	22,056	1,274	23,330	167,551
Other	216,203	19,961	15,139	-	-	-	251,303
Delegate subcontracts	-	-	185,103	-	-	-	185,103
Depreciation	262,585	45,140	66,966	1,880	208	2,088	376,779
Total Expenses	\$ 10,775,387	\$ 1,735,834	\$ 2,908,002	\$ 824,408	\$ 86,010	\$ 910,418	\$ 16,329,641

See notes to financial statements.

SALT LAKE COMMUNITY ACTION PROGRAM

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2005

Cash flows from operating activities:	
Cash received from contributions, government, contracts and clients	\$ 16,249,393
Interest received	14,858
Cash paid to vendors and employees	(15,754,538)
Interest paid	<u>(206,108)</u>
Net cash provided by operating activities	<u>303,605</u>
Cash flows from investing activities:	
Purchase of property and equipment	(320,702)
Increase in restricted cash	(289,652)
Proceeds from sale of assets	<u>466,634</u>
Net cash used in investing activities	<u>(143,720)</u>
Cash flows from financing activities:	
Principal payments on mortgages	<u>(303,424)</u>
Net cash used in financing activities	<u>(303,424)</u>
Net decrease in cash	(143,539)
Cash at beginning of year	<u>643,856</u>
Cash at end of year	<u>\$ 500,317</u>

(continued)

See notes to financial statements.

SALT LAKE COMMUNITY ACTION PROGRAM

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2005

(continued)

Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ 228,851
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	376,779
Gain on sale of assets	(185,668)
Change in assets and liabilities:	
Increase in grants receivable	(108,573)
Increase in other receivables	(9,344)
Decrease in deposits and prepaid expenses	59,165
Increase in Weatherization supplies	(68,899)
Decrease in accounts payable	(26,574)
Decrease in accrued expenses	(37,564)
Increase in accrued termination benefits	<u>75,432</u>
Net cash provided by operating activities	<u>\$ 303,605</u>

Schedule of non-cash investing and financing activities:

During the year ended June 30, 2005, the Organization financed construction in progress totaling \$706,667, with \$501,205 financed through construction loans and \$205,462 through construction payable at June 30, 2005.

See notes to financial statements.

SALT LAKE COMMUNITY ACTION PROGRAM

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Operational Purpose

Salt Lake Community Action Program (SLCAP) is a nonprofit corporation organized under the laws of the State of Utah. The purpose of the Organization are to establish, operate, and coordinate community action programs in order to prevent and alleviate poverty and its causes, and to cooperate with other organizations, and to secure and expend monies for these purposes. SLCAP operates primarily in Salt Lake and Tooele Counties in Utah.

SLCAP's principal programs comprise the following:

Head Start - The mission of this program is to nurture and educate young children, empower families, and partner with communities through professional and valued staff. The program serves low-income children and families in Salt Lake and Tooele Counties.

Weatherization - A grant program for home repairs, weatherization and rehabilitation to preserve and upgrade the homes of low income persons.

Community Service - This program offers client assistance to the needs of low income persons by providing and assisting with medical, dental, and housing needs of affected individuals.

Financial Statement Presentation

The accompanying financial statements of SLCAP have been prepared on the accrual method of accounting and accordingly reflect all significant receivables, payables and other liabilities.

SLCAP reports information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted - accounts for unrestricted assets (net of related liabilities) available for support of the organization's operations. Assets designated by the Board of Directors for a specific purpose also are accounted for in this fund.

Temporarily Restricted - accounts for resources currently available for use, but expendable only for purposes specified by the donor.

Permanently Restricted - accounts for gifts requiring in perpetuity that the principal be invested and the income only be used.

Property and Equipment

Property and equipment are recorded at acquisition cost or, where donated, at estimated market value at the date of the donation. Depreciation is computed using the straight-line method based on estimated useful lives ranging from 3 to 30 years. Expenditures for repairs and maintenance are charged to expense as incurred. Acquisition, use and disposition of property and equipment may be subject to certain property management standards as outlined in OMB Circular No. A-110. Therefore, property and equipment is included in temporarily restricted net assets in the accompanying financial statements.

Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash on hand and highly liquid investments with original maturities of three months or less. Restricted cash is not considered a cash equivalent.

Donated Services

Amounts for donated services are reflected in the financial statements if the services create or enhance nonfinancial assets or if the Organization would be required to pay for the services if not donated. No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

Contributions

All contributions are available for unrestricted use unless specifically restricted by the donor.

Nonprofit Status

SLCAP was organized as a nonprofit corporation in accordance with the laws of the State of Utah and is exempt from federal income taxation under provisions of Section 501(c)(3) of the Internal Revenue Code.

Government Contracts and Grants

SLCAP is generally funded by federal, state, and other grants and contracts. The majority of these grants and contracts operate on a cost reimbursement basis. Generally, accounts receivable and the related revenues are recorded when the applicable expenses to grant awards have been incurred.

Certain grants require that SLCAP match the funds received with other funds in varying percentages. SLCAP may use in-kind contributions such as volunteer labor and space provided in order to meet the matching requirements. Such in-kind contributions are recognized only for regulatory accounting purposes and are not included in the accompanying financial statements.

Functional Expenses

SLCAP allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program or supporting service are directly classified to that program or service. Other expenses that are common to several functions are allocated on a reasonable and systematic basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE:

Grants and contracts receivable consist of the following at June 30, 2005:

U.S. Health and Human Services	\$ 561,361
Utah Community and Economic Development	579,233
U.S. Department of Agriculture	3,560
U.S. Housing and Urban Development	26,927
Salt Lake County	28,003
Salt Lake City	12,590
United Way	132,255
Questar	37,169
AARP/HASLC	22,910
Other	8,651
Travel and Employee	<u>3,400</u>
	<u>\$1,416,059</u>

NOTE 3 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30, 2005:

Land	\$ 851,854
Buildings	3,232,644
Leasehold improvements	357,943
Furniture and equipment	<u>1,539,038</u>
	5,981,479
Less accumulated depreciation	<u>(2,342,955)</u>
	<u>\$ 3,638,524</u>

NOTE 4 - LEASE COMMITMENTS:

SLCAP currently leases a variety of classrooms, offices, storage units, and food pantries that have month to month lease agreements. At June 30, 2005, the total monthly amount for all of the Organization's leased facilities is \$27,360. During the year ended June 30, 2005, facilities lease expense totaled \$296,612.

NOTE 5 - RETIREMENT PLAN:

SLCAP established a defined contribution retirement plan (the Plan) for the benefit of its employees. The Plan's investments are held in funds managed by Charles Schwab. Under the Plan, SLCAP makes a matching contribution of up to 4% of the employee's salary. An employee must meet certain eligibility requirements in order to participate in the Plan. During the year ended June 30, 2005, SLCAP made contributions to the Plan totaling \$253,422.

NOTE 6 - CONCENTRATIONS:

The majority of SLCAP's support is provided through the Head Start Program from the Department of Health and Human Services. A loss of this support would have a materially adverse effect on SLCAP.

The Company has a concentration of credit risk to the extent its cash held in bank accounts exceeds federally insured limits. At June 30, 2005, the Organization had approximately \$778,000 in bank accounts in excess of federally insured limits.

NOTE 7 - ACCRUED TERMINATION BENEFIT:

SLCAP provides certain benefits to its employees upon termination under a non-qualified plan. These benefits are based on the employee's years of service and the employee's final compensation rate. SLCAP estimates the expense related to this benefit and charges the expense amounts to the related federal or state grants. During the year ended June 30, 2005, \$88,172 was expensed to various federal and state grants and \$28,197 was paid to terminated employees. Accrued termination benefit totals \$840,986 at June 30, 2005 and is classified as long-term. SLCAP cannot reasonably estimate the amount that may be paid during the next fiscal year, if any.

NOTE 8 - MORTGAGES PAYABLE:

Mortgages payable at June 30, 2005 consist of the following:

Mortgage payable, monthly principal and interest payments of \$7,301, interest at 6.75 percent, due August 1, 2030, secured by property.	\$1,064,550
Mortgage payable, monthly principal and interest payments of \$3,148, variable interest ranging from 5.00 percent to 9.75 percent (5.00 percent at June 30, 2005), due February 1, 2022, secured by property.	<u>393,379</u>
	1,457,929
Less current portion	<u>(30,789)</u>
	<u>\$1,427,140</u>

Future maturities of mortgages payable are as follows:

Year ending June 30,

2006	\$ 30,789
2007	36,604
2008	38,794
2009	41,119
2010	43,586
Thereafter	<u>1,267,037</u>
	<u>\$1,457,929</u>

During the year ended June 30, 2005, interest expense totaled \$100,051 and capitalized interest totaled \$2,680. Interest expense is included in the space category on the statement of functional expenses.

NOTE 9 - CONSTRUCTION LOAN:

At June 30, 2005, the Organization has a construction loan payable to a bank to finance building construction in West Valley City, Utah. The building construction completion is expected during September 2005, at which time the construction loan payable will be converted to a mortgage payable. The terms of the mortgage payable have not yet been determined, but monthly principal and interest payments of approximately \$7,300 are expected to begin in October 2005. At June 30, 2005, the construction loan payable has a principal balance of \$501,205, with monthly interest payments being added to the principal balance, at a variable annual interest rate of 5.72 percent.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at June 30, 2005 represent resources currently available for use, but expendable only for the specific purposes as follows:

Property and equipment, net of related mortgages payable	\$ 969,072
Construction in progress	1,060,798
Weatherization program	209,222
Head Start program	22,578
Community services program	68,875
United Way grant	132,255
Weatherization inventory	<u>68,899</u>
	<u>\$2,531,699</u>

NOTE 11 - RELATED PARTY TRANSACTIONS:

A member of SLCAP's board (who abstained from the vote on the mortgage) is the president and CEO of the lender on one of the mortgages payable. At June 30, 2005, the principal balance on this mortgage totals \$1,064,550.

ADDITIONAL INFORMATION

SALT LAKE COMMUNITY ACTION PROGRAM
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal grantor/Pass-through grantor/Program title	Federal CFDA number	Passthrough entity identifying number	Total awards for programs involving passthrough entities	Expenditures
U.S. Department of Agriculture				
Passed through from the State of Utah:				
Child Care Food Program	10.558	F9		\$ 317,513
U.S. Department of Housing and Urban Development				
Direct programs:				
Supportive Housing Program (Note C)	14.235		102,383	62,940
Supportive Housing Program (Note C)	14.235			9,385
Housing Counseling	14.169	HC04-0898-060		25,000
Passed through from the State of Utah:				
Emergency Shelter Grants	14.231	05-0027		5,000
Housing Opportunities for People with AIDS	14.241	05-0976		13,526
Passed through from Salt Lake County:				
Community Development Block Grant	14.218	BV03004C		31,224
Community Development Block Grant	14.218	BV03006		25,224
Community Development Block Grant	14.218	BV03005C		20,000
Community Development Block Grant - SL County	14.218	BV03023C		14,000
Community Development Block Grant - Holladay	14.218	BV03023C		10,000
Community Development Block Grant - Murray	14.218	BV03023C		4,000
Emergency Shelter Grants	14.231	BV04002C		19,750
Home	14.239	BV0306C		34,288
Home	14.239	BV04104C		45,773
Passed through from Salt Lake City:				
Community Development Block Grant	14.218			32,000
Community Development Block Grant	14.218			25,000
Community Development Block Grant	14.218			11,000
Home	14.239			26,970
Emergency Shelter Grants	14.231			15,407
Housing Opportunities for People with AIDS	14.241			47,896
Housing Opportunities for People with AIDS	14.241			101,236
Passed through from West Valley City:				
Community Development Block Grant	14.218			7,000
Passed through from West Jordan City:				
Community Development Block Grant	14.218			10,000
Passed through from Sandy City:				
Community Development Block Grant	14.218			7,200
Total Department of Housing and Urban Development				603,819
U.S. Department of Energy				
Passed through from the State of Utah:				
Weatherization*	81.042	05-0593		583,422
Federal Emergency Management Agency				
Emergency Food and Shelter	83.523			110,506
U.S. Department of Health and Human Services				
Direct programs:				
Head Start*	93.600			10,901,810
Passed through from the State of Utah:				
Federal Rural Development/Olene Walker/WZ	10.433			7,989
Low Income Home Energy Assistance Program	93.568	04-1798		659,494
Low Income Home Energy Assistance Program	93.568	03-1300		120,280
Low Income Home Energy Assistance Program	93.568	05-1747		322,447
Low Income Home Energy Assistance Program	93.568	03-0143		51,937
Low Income Home Energy Assistance Program	93.568	04-1099		19,630
Low Income Home Energy Assistance Program	93.568	05-1355		510,141
Community Services Block Grant (Note C)	93.569	04-1187	190,159	147,054
Community Services Block Grant (Note C)	93.569	05-1318	911,030	808,476
Passed through from Salt Lake County:				
HIV Care Formula Grant	93.917			951
Passed through from the State of Utah to the Utah Community Action Program Association:				
Office of Community Services	93.570			10,025
Community Services Block Grant	93.569			7,868
Total Department of Health and Human Services				13,568,102
Total Federal Assistance				\$ 15,183,362

* - Denotes a major program.

SALT LAKE COMMUNITY ACTION PROGRAM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2005

NOTE A - GENERAL:

The schedule of expenditures of federal awards presents the activity of all federal award programs of Salt Lake Community Action Program (SLCAP). The SLCAP reporting entity is defined in Note 1 to the SLCAP's financial statements. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included on the schedule.

NOTE B - BASIS OF ACCOUNTING:

The accompanying schedule of expenditures of federal awards is presented using grant accounting principles. Certain government and other grants require that an other comprehensive basis of accounting be followed. The differences from accounting principles generally accepted in the United States of America are as follows: acquisition of capital assets are recorded as expenses rather than being capitalized and depreciated, and supporting services are reflected with program expenses rather than reflected separately.

NOTE C - SUB-RECIPIENTS:

Salt Lake Community Action Program provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA number</u>	<u>Pass-through identifying number</u>	<u>Amount provided</u>
Community Services Block Grant	93.569	04-1187	\$ 43,105
Community Services Block Grant	93.569	05-1318	102,554
Supportive Housing Program	14.235	-	<u>39,443</u>
Total federal awards to sub-recipients			<u>\$185,102</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 31, 2005

To the Board of Directors and Management
of Salt Lake Community Action Program

We have audited the financial statements of Salt Lake Community Action Program as of and for the year ended June 30, 2005, and have issued our report thereon dated August 31, 2005. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Salt Lake Community Action Program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Salt Lake Community Action Program in a separate letter dated August 31, 2005.

Compliance

As part of obtaining reasonable assurance about whether Salt Lake Community Action Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 31, 2005

To the Board of Directors and Management
of Salt Lake Community Action Program

Compliance

We have audited the compliance of Salt Lake Community Action Program (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Salt Lake Community Action Program's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Salt Lake Community Action Program's management. Our responsibility is to express an opinion on Salt Lake Community Action Program's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Salt Lake Community Action Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Salt Lake Community Action Program's compliance with those requirements.

In our opinion, Salt Lake Community Action Program complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Salt Lake Community Action Program is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Salt Lake Community Action Program's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lake, Hill & Myers

SALT LAKE COMMUNITY ACTION PROGRAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Summary of Auditors' Results

- i. The auditor issued an unqualified opinion on the financial statements of the Organization.
- ii. There are no reportable conditions or material weaknesses in internal control over the financial statements disclosed as a result of the audit of the financial statements.
- iii. The auditor noted no noncompliance which is material to the financial statements of the Organization.
- iv. There are no reportable conditions or material weaknesses in internal control over major programs disclosed as a result of the audit of the financial statements.
- v. The auditor issued an unqualified opinion on compliance with requirements applicable to each major program.
- vi. The auditor identified no findings reported under the caption of Audit Findings.
- vii. Major program consists of:

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
United States Department of Health and Human Services: Head Start Program	93.600	\$10,919,075
United States Department of Energy: Weatherization Program	81.042	\$ 583,422

- viii. The Organization had four Type A programs for the year ended June 30, 2005. The dollar threshold to distinguish Type A and Type B programs was \$437,000. Programs were selected to meet the percentage coverage rule of OMB Circular A-133 paragraph .520(f).
- ix. The Organization qualifies as a low risk auditee under paragraph .530 of OMB Circular A-133.

Audit Findings

There are no audit findings resulting from the audit.

SALT LAKE COMMUNITY ACTION PROGRAM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004

Ref

Finding

There are no prior audit findings.

SALT LAKE COMMUNITY ACTION PROGRAM
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2004

Ref

Corrective Action

There are no corrective action plan comments.